



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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December 29, 2009

TO: Supervisor Gloria Molina, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **CHICANA SERVICE ACTION CENTER, INC. CONTRACT REVIEW – A  
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT  
ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Chicana Service Action Center, Inc. (Chicana or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

**Background**

CSS contracts with Chicana, a private non-profit organization, to provide and operate the WIA Adult and Dislocated Worker Programs. The WIA Adult and Dislocated Worker Programs assist individuals in obtaining employment, retaining their jobs and increasing their earnings. Chicana's office is located in the First District.

Chicana is compensated on a cost reimbursement basis and had a contract for \$423,713 for Fiscal Year (FY) 2008-09.

**Purpose/Methodology**

The purpose of our review was to determine whether Chicana complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

Generally, Chicana provided the required program services to eligible participants. However, Chicana billed CSS \$17,305 in questioned costs related to their allocation of shared program expenditures. In addition, Chicana did not always comply with the County contract and WIA guidelines. Specifically, Chicana:

- Did not obtain complete criminal record clearances, which include fingerprinting, for all five employees sampled as required by Part II, Section 27.4 of the County contract.
- Did not achieve all the FY 2008-09 third quarter planned performance outcomes as outlined in the County contract.
- Did not report quarterly accruals as required by WIA Directive LACOD-WIAD08-19.

Details of our review, along with recommendations, for corrective action are attached.

### **Review of Report**

We discussed our report with Chicana and CSS on October 27, 2009. Chicana provided additional documentation to support the questioned costs. However, the documentation provided did not adequately support the expenditure allocations.

In November and December 2009, we requested that Chicana provide a plan on how they will implement the recommendations in our report. However, to date, Chicana has not submitted a corrective action plan. CSS will follow up with Chicana to ensure the Agency submits a corrective action plan to CSS. It should be noted that a similar situation occurred during our last monitoring review (March 2009) and Chicana did not provide a corrective action plan until a few months after we had issued our final report to the Board.

We thank Chicana for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer  
Cynthia D. Banks, Director, Community and Senior Services  
Sophia Esparza, Chief Executive Officer, Chicana Service Action Center, Inc.  
Phyllis Navarrette, Chairperson, Chicana Service Action Center, Inc.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
CHICANA SERVICE ACTION CENTER, INC.  
FISCAL YEAR 2008-09**

**ELIGIBILITY**

**Objective**

Determine whether Chicana Service Action Center, Inc. (Chicana or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA) Program.

**Verification**

We reviewed the case files for 20 (37%) of the 54 participants that received services from July 2008 through May 2009 for documentation to confirm their eligibility for WIA services.

**Results**

Chicana maintained appropriate documentation to support the eligibility of all 20 participants sampled.

**Recommendation**

**None.**

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

**Verification**

We reviewed the documentation contained in the case files for 20 (37%) of the 54 participants that received services from July 2008 through May 2009.

**Results**

Chicana provided the services in accordance with the County contract and WIA guidelines.

**Recommendation**

None.

**PERFORMANCE OUTCOMES REVIEW****Objective**

Determine whether Chicana met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

**Verification**

We compared the Agency's Fiscal Year (FY) 2008-09 actual performance outcomes for the third quarter to the planned performance outcomes outlined in the County contract.

**Results**

Chicana did not meet all the FY 2008-09 third quarter planned performance outcomes as outlined in the County contract. Specifically:

FY 2008-09 3RD QUARTER PERFORMANCE OUTCOMES												
WIA Programs	Enrollments			Trained			Exits			Placements		
	Planned	Actual	% Enrolled	Planned	Actual	% Trained	Planned	Actual	% Exited	Planned	Actual	% Placed
Adult	43	33	76.7%	4	0	0.0%	42	29	69.0%	MET PLANNED PERFORMANCE OUTCOMES		
Dislocated Worker	MET PLANNED PERFORMANCE OUTCOMES			3	0	0.0%	MET PLANNED PERFORMANCE OUTCOMES			MET PLANNED PERFORMANCE OUTCOMES		

**Recommendation**

1. Chicana management ensure that planned performance outcomes are met as required by the County contract.

**CASH/REVENUE****Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed Chicana's bank activity for February, March and April 2009.

**Results**

Chicana did not maintain a check remittance log and did not deposit checks over \$500 within one day of receipt as required by Part B, Section 1.2 of the Auditor-Controller Contract Accounting and Administration Handbook. Specifically, Chicana deposited four checks, totaling \$67,639, more than one week after receipt.

Subsequent to our review, Chicana developed a check remittance log and has since deposited checks over \$500 within one business day of receipt.

**Recommendation**

2. **Chicana management ensure that the check remittance log is maintained as required and that checks over \$500 are deposited within one day of receipt.**

**COST ALLOCATION PLAN****Objective**

Determine whether Chicana's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July 2008 and March 2009 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

Generally, Chicana's Cost Allocation Plan was prepared in compliance with the County contract. However, Chicana billed Community and Senior Services (CSS) \$17,305 in questioned costs. Specifically:

- Chicana allocated 46% of shared program expenditures to the WIA Adult Program, 20% to the WIA Dislocated Worker Program and the remaining 34% to non-WIA related programs. Chicana indicated that the allocation percentages were based on the square footage used by each program. However, Chicana did not provide documentation to support the allocation and the areas allocated to the WIA Programs were not consistent with our observations during our walkthrough. The questioned costs totaled \$15,639.
- Chicana did not provide adequate documentation to support the allocations of equipment expenditures. The questioned costs totaled \$1,666.

According to the County contract, Part II, Section 20.3.4, "contractor will retain on file all documentation supporting the methodology utilized to determine the reasonableness of the costs allocated to the cost-reimbursement activities," and, "failure to comply may result in no payment, or in a partial or reduced payment until contractor is in compliance." Similar findings were also noted during the prior two years' monitoring reviews.

### **Recommendations**

#### **Chicana management:**

- 3. Repay CSS \$17,305 or provide adequate documentation to support the expenditures.**
- 4. Maintain adequate documentation to support the allocation of shared program expenditures.**

### **EXPENDITURES/PROCUREMENT**

#### **Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

#### **Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 22 non-payroll expenditure transactions billed by Chicana for July 2008 and March 2009, totaling \$17,467.

#### **Results**

The majority of the transactions tested were shared costs. As indicated above, Chicana's allocation percentages were not supported.

#### **Recommendation**

**Refer to Recommendation 4.**

### **ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**

#### **Objective**

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

Generally, Chicana maintained sufficient internal controls over its business operations and complied with other program and administrative requirements. However, Chicana did not report quarterly accruals as required in WIA Directive LACOD-WIAD08-19.

**Recommendation**

5. Chicana management report expenditure accruals on a quarterly basis as required.

**FIXED ASSETS AND EQUIPMENT****Objective**

Determine whether Chicana's fixed assets and equipment purchases made with WIA funds are used for the WIA Programs and are safeguarded.

**Verification**

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we performed an inventory and reviewed the usage of 15 items purchased with WIA funds, totaling \$32,746.

**Results**

Chicana used the equipment purchased with WIA funds for the WIA Programs and the items were safeguarded.

**Recommendation**

None.

**PAYROLL AND PERSONNEL****Objective**

Determine whether payroll expenditures were appropriately charged to the WIA Programs. In addition, determine whether the Agency obtained criminal record



clearances, verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Programs.

**Verification**

We traced the payroll expenditures invoiced for nine employees totaling \$10,349 for March 2009 to the Agency's payroll records and time reports. We also interviewed two staff and reviewed the personnel files for five employees assigned to the WIA Programs.

**Results**

Generally, Chicana appropriately charged payroll expenditures to the WIA Programs. However, Chicana did not obtain complete criminal record clearances, which include fingerprinting, for all five employees sampled as required by Part II, Section 27.4 of the County contract.

**Recommendation**

6. Chicana management ensure that a complete criminal record clearance, which includes fingerprinting, is obtained for all employees.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's FY 2007-08 final close-out invoices for the WIA Adult and Dislocated Worker Programs reconciled to the Agency's financial accounting records.

**Verification**

We traced Chicana's FY 2007-08 general ledgers to the Agency's final close-out invoices for FY 2007-08. We also reviewed a sample of expenditures incurred in June 2008.

**Results**

Generally, Chicana's FY 2007-08 general ledgers reconciled to the Agency's FY 2007-08 final close-out invoices.

**Recommendation**

None.